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LOUISIANA PARTNERSHIP FOR TECHNOLOGY AND INNOVATION

Financial Statements for the Years Ended June 30, 1998 and 1997 and Independent Auditors' Report

Under provisions of state law, this report is a public document. A copy of this report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date JAN 20 1999

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INDEPENDENT AUDITORS' REPORT

Louisiana Partnership for Technology and Innovation
Baton Rouge, Louisiana

We have audited the accompanying statements of financial position of Louisiana Partnership for Technology and Innovation (the Partnership) as of June 30, 1998 and 1997 and the related statements of unrestricted revenues, expenses, and other changes in unrestricted net assets and cash flows for the years then ended. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Partnership at June 30, 1998 and 1997, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

The accompanying financial statements have been prepared assuming that the Partnership will continue as a going concern. As discussed in Note 1 to the financial statements, the Partnership has long-term investments in several emerging enterprises which are recorded at the lesser of cost or estimated realizable value. Due to the nature of these investments, it is not possible to determine the amount of the individual investments that will ultimately be recovered. Over the last few years, the Partnership has incurred operating deficiencies. As discussed in Note 2 to the financial statements, the Partnership's viability as a going concern is also dependent upon its ability to generate adequate revenue to overcome the operating deficiencies. These matters raise substantial doubt about the Partnership's ability to continue as a going concern. Management's plans concerning these matters are described in Note 2. The financial statements do not include any adjustments that might result from the outcome of these uncertainties.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 14, 1998 on our consideration of Louisiana Partnership for Technology and Innovation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Deloitte & Touche LLP

August 14, 1998

LOUISIANA PARTNERSHIP FOR TECHNOLOGY AND INVENTION

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 1998 AND 1997

ASSETS	1998	1997
CURRENT ASSETS:		
Cash and cash equivalents	$ 77,870	$ 82,118
Other	4,986	1,715
Total current assets	82,856	83,833
LONG-TERM INVESTMENTS	151,759	174,483
FIXED ASSETS - Net	2,404	4,145
TOTAL ASSETS	$237,019	$262,461
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accrued vacation	$ 19,956	$ 35,697
Other	3,740	4,390
Total current liabilities	23,696	40,087
NET ASSETS - UNRESTRICTED	213,323	222,374
TOTAL LIABILITIES AND NET ASSETS	$237,019	$262,461

See notes to financial statements.

LOUISIANA PARTNERSHIP FOR TECHNOLOGY AND INNOVATION

STATEMENTS OF UNRESTRICTED REVENUES, EXPENSES AND OTHER CHANGES IN UNRESTRICTED NET ASSETS YEARS ENDED JUNE 30, 1998 AND 1997

	1998	1997
UNRESTRICTED REVENUES:		
Contributions and grants	$ 338,655	$ 351,281
Interest	6,196	3,216
Other	9,000	4,000
Total unrestricted revenues	353,851	358,497
EXPENSES:		
Salaries and benefits	201,344	244,318
Writedown of investments	72,059	139,158
Consulting and professional services	22,737	12,141
Rent	20,925	20,925
Depreciation and amortization	1,741	2,613
Insurance	8,132	7,360
Other	35,964	39,146
Total expenses	362,902	465,661
CHANGE IN NET ASSETS	(9,051)	(107,164)
NET ASSETS, BEGINNING OF YEAR	222,374	329,538
NET ASSETS, END OF YEAR	$ 213,323	$ 222,374

See notes to financial statements.

LOUISIANA PARTNERSHIP FOR TECHNOLOGY AND INNOVATION

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 1998 AND 1997

	1998	1997
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (9,051)	$ (107,164)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,741	2,613
Writedown of investments	72,059	139,158
(Increase) in other current assets	(3,271)	(301)
Increase (decrease) in accrued vacation and other current liabilities	(16,391)	346
Net cash provided by operating activities	45,087	34,652
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of long-term investments	(49,335)	(62,963)
Purchase of fixed assets	-	(2,179)
Net cash used in investing activities	(49,335)	(65,142)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(4,248)	(30,490)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	82,118	112,608
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 77,870	$ 82,118

See notes to financial statements.

LOUISIANA PARTNERSHIP FOR TECHNOLOGY AND INNOVATION

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 1998 AND 1997

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - Gulf South Research Foundation, doing business as Louisiana Partnership for Technology and Innovation (the Partnership), is a private non-profit organization chartered in 1978 under Louisiana non-profit corporation law. The Partnership pursues the goal of assisting in the economic diversification of Louisiana by fostering the creation and growth of small emerging enterprises.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents -The Partnership considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Long-term Investments - The Partnership records investments in emerging enterprises at cost and adjusts the carrying value for impairment that is deemed to be other than temporary. When an investment is determined to be impaired, the carrying value of the investment is adjusted through a charge to "Writedown of Investments." Management's judgment as to the impairment of individual investments involves the analysis of financial information and ratios; consideration of current and anticipated economic conditions and their potential effects on the emerging enterprises; and management's internal review of its investment portfolio. The Partnership capitalizes salaries and benefits directly related to services performed for the respective enterprises.

Fixed Assets - Fixed assets purchased or capitalized under leases are depreciated on the straight-line method over estimated useful lives of three to ten years.

Contributions - The Partnership records contributions at their realizable value when such contributions are made.

Income Taxes - The Partnership, in general, is exempt from Federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code.

2. GOING CONCERN

The Partnership's viability as a going concern is dependent upon its ability to generate revenues from contributions, grants, service agreements or contracts. Longer term prospects are still uncertain; however, management intends to continue its aggressive efforts to secure additional funding from governmental and private sources.

3. **FIXED ASSETS**

Fixed assets consists of the following at June 30, 1998 and 1997:

	1998	1997
Furniture and equipment	$ 65,478	$ 68,622
Less accumulated depreciation	(63,074)	(64,477)
Fixed assets, net	$ 2,404	$ 4,145

4. **RETIREMENT PLAN**

Employees of the Partnership who have completed the required service period are eligible to participate in the Partnership's retirement plan. The contributions of the Partnership and its employees are applied to the purchase of retirement annuities on an individual basis. The Partnership's contributions to the plan were $15,945 during each of the years ended June 30, 1998 and 1997, and are included in salaries and benefits.

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED UPON THE AUDIT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.

Louisiana Partnership for Technology and Innovation
Baton Rouge, Louisiana

We have audited the financial statements of Louisiana Partnership for Technology and Innovation (the "Partnership"), as of and for the year ended June 30, 1998, and have issued our report thereon dated August 14, 1998. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Partnership's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Partnership's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the Board of Directors, management, and the State of Louisiana Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.

Deloitte & Touche LLP

August 14, 1998